

This Fact Sheet highlights significant policy changes that were adopted in the May 7, 2004 Final Rule.

Updated Final Rule for the Long-Term Care Hospital Prospective Payment System (LTCH PPS)

Under the LTCH PPS, the Centers for Medicare & Medicaid Services (CMS) implemented several special payment provisions to account for short stays, interrupted stays, or unusually high cost admissions. Existing Long-Term Care Hospitals (LTCHs) have the option to transition over five years (with a blend of cost-based payments and full Prospective Payment System Federal Rate payments), or they can elect to be paid 100 percent of the Federal Rate without a transition period. New LTCHs are paid based on 100 percent of the Federal Rate without a transition period.

The Final Rule describing the system was published in the Federal Register on August 30, 2002 (67 FR 55954). The Final Rule published on August 30, 2002, contains the Long-Term Care-Diagnosis Related Groups (LTC-DRGs), relative weights, and the Average Length of Stay (ALOS) effective October 1, 2003, for Fiscal Year (FY) 2004. The Proposed Rule for updating LTCH PPS rates for FY 2005 was published on January 30, 2004, and the Final Rule was published on May 7, 2004, after a period of public comment. This Final Rule increases the Medicare payment rates for LTCHs by 3.1% for FY 2005, and will take effect July 1, 2004. This update provides several important changes to the LTCH PPS that impact the interrupted stay policy, satellite and remote locations, and other aspects of the program that are updated for FY 2005. The proposed LTC-DRGs, relative weights, ALOS, and other proposed Inpatient Prospective Payment System (IPPS)-excluded hospital policy changes for FY 2005 were published in a Proposed Rule on May 18, 2004. The comment period for the PPS Proposed Rule ends on July 12, 2004, and changes will be effective October 1, 2004. Please visit www.cms.hhs.gov/providers/longterm.frnotices.asp to view this Rule.



<i>Background</i>	<i>What Are Long-Term Care-Diagnosis Related Groups?</i>
<p>Under Medicare, Long-Term Care Hospitals (LTCHs) generally treat patients who require hospital-level care for an average of greater than 25 days. On October 1, 2002, the CMS established the Long-Term Care Hospital Prospective Payment System (LTCH PPS). In the LTCH PPS, the method of determining payments for LTCHs shifts from a reasonable cost basis to a per discharge system, based on Long-Term Care-Diagnosis Related Groups (LTC-DRGs).</p>	<p>The LTCH PPS uses LTC-DRGs as a patient classification system. Each patient stay is grouped into an LTC-DRG based on diagnoses (including secondary diagnoses), procedures performed, age, gender, and discharge status. Each LTC-DRG has a pre-determined Average Length of Stay (ALOS), or the typical Length of Stay (LOS) for a patient classified to the LTC-DRG. Under the LTCH PPS, an LTCH receives payment for each Medicare patient, based on the LTC-DRG to which that patient's stay is grouped. This grouping reflects the typical resources used for treating such a patient. Cases assigned to an LTC-DRG are paid according to the Federal payment rate, including adjustments.</p>

What Changes Were Made in the Updated Final Rule?

The Final Rule, published on May 7, 2004, expands the existing interrupted stay policy to include a discharge from an acute care hospital, Inpatient Rehabilitation

Facility (IRF), Skilled Nursing Facility (SNF)/swing bed, or to the patient's home, and readmission to the LTCH within three days. This Final Rule also clarifies the requirements for a satellite or remote location to qualify as an LTCH. The Final Rule also revises the procedure for calculating a hospital's ALOS for purposes of qualifying for payment under the LTCH PPS; that is, days will be counted only in the cost-reporting period when the discharge occurs. However, in the Final Rule, LTCHs will be allowed to meet the existing definition for calculating ALOS for an additional year if they fail to satisfy the new method.

The new LTCH PPS Rate Year is established as July 1 through June 30. On July 1 of each year, there will be payment updates based on:

- § An update to the Federal Rate;
- § An update to the Fixed-Loss Amount for High Cost Outlier payments; and
- § An update to the transition period Budget Neutrality Offset.

Annual updates to the LTCH PPS will be published in the Federal Register by May 1, but no later than June 1 (effective July 1).

As specified in the Final Rule published on August 30, 2002, the LTC-DRGs and relative weights will be updated on October 1 of each year. The Proposed Rule for FY 2005, published on May 18, 2004, includes updated LTC-DRGs and relative weights for FY 2005. The comment period on the Final Rule ends July 12, 2004. CMS will maintain the October 1 update for the LTC-DRGs and relative weights to coordinate with the annual update to the ICD-9-CM Diagnosis Manual and the DRG updates for the IPPS, as required by the Health Insurance Portability and Accountability Act (HIPAA). Information regarding the LTC-DRGs and relative weights will be published annually in the IPPS Proposed and Final Rules.

This separation of the two updates provides a July 1 update of the Federal Rate, and an October 1 update of the LTC-DRGs and relative weights.

Are There Any Rate Updates in the Updated Final Rule?

The updated Final Rule revises several key rates that affect the LTCH PPS payments. Table 1 shows a full list of the updated LTCH PPS components, along with the original rates, the new rates, and the effective dates for the changes.

Table 1. Updated Payment Rates and Effective Dates for LTCH PPS Components			
<i>The LTCH PPS Component</i>	<i>Rate or Version Effective July 1, 2003</i>	<i>New Rate or Version Effective July 1, 2004</i>	<i>Subsequent Updates Will Be Effective On</i>
Federal Rate	\$35,726.18	\$36,833.69	July 1
Fixed-Loss Amount	\$19,590	\$17,864	July 1
Budget Neutrality Offset	6.0% (0.940)	0.5% (0.995)	July 1
GROUPER Version	21	22	October 1
LTC-DRGs	—	—	October 1
Relative Weights	—	—	October 1

What Other Provisions Are in the Final Rule?

The Final Rule published May 7, 2004, also includes several other important policy changes that affect the LTCH PPS:

- § The Final Rule expands the existing interrupted stay policy to include a discharge to an acute care hospital, IRE, SNF/swing bed, or to the patient's home, and readmission to the LTCH within three days. Further information can be found in the Interrupted Stay Fact Sheet.
- § CMS has finalized its clarification of the requirements for a satellite or remote location to qualify as a LTCH. The facility must first be separately certified as a hospital (e.g., an acute care hospital), and then present the

hospital's discharge data collected to show that it has met the ALOS requirement for five of the six months following certification.

- § LTCHs will be allowed to meet the existing definition for calculation of an ALOS for an additional year if they fail to satisfy the new method.
- § The LTCH wage index data is calculated using the same wage data used to compute the wage index used by acute care hospitals under the IPPS for Federal FY 2004 (that is, FY 2000 audited acute care hospital inpatient wage data).

Where Can I Go for More Information about the Updated LTCH PPS Final Rule?

The following online references provide more information about the LTCH PPS:

- § The Medicare Learning Network LTCH PPS Web Page

www.cms.hhs.gov/medlearn/lтчpps.asp

The Medlearn LTCH PPS Web Page features CMS provider education materials for the LTCH PPS, including the *CMS Long-Term Care Hospital Prospective Payment System Training Guide*.

- § Long-Term Care Hospital Web Page

www.cms.hhs.gov/providers/longterm/default.asp

The Long-Term Care Hospital Web Page provides the Final Rules and additional LTCH PPS-related documents, including a Frequently Asked Questions (FAQs) List. The Web Page also provides instructions on joining the LTCH PPS mailing list, which provides the latest LTCH PPS news and updates.

- § LTCH PPS Press Release updating the LTCH Payment System for Rate Year 2005

www.cms.hhs.gov/media/press/release.asp?Counter=1028

The press release summarizes how Medicare is updating the format and data of the LTCH PPS system for Rate Year 2005. These changes were also published in the Federal Register on May 7, 2004.

- § Final Rule on Annual Payment Rate Updates and Policy Changes

www.cms.hhs.gov/providers/longterm/cms-1263-f.pdf

The Final Rule provides a more in-depth look at the changes for Rate Year 2005.

- § Federal Register Notice for LTCH PPS FY 2005 Proposed Rule (CMS-1428-P)

www.cms.hhs.gov/providers/longterm/frnotices.asp

The proposed rule contains the proposed LTC-DRGs, relative weights, ALOS, and other proposed IPPS-excluded hospital policy changes that would be effective October 1, 2004, under the LTCH PPS.

Questions about the updated Final Rule and the LTCH PPS can be emailed to ltchpps@cms.hhs.gov.

Example

Time Period: July 1, 2004 through September 30, 2004

Medicare payments will be based on the updated Federal Rate determined on July 1, 2004 and LTC-DRGs and relative weights determined on October 1, 2003.

grouper Version: 21

Time Period: October 1, 2004 through June 30, 2005

Medicare payments will be based on the updated Federal Rate determined on July 1, 2004 and LTC-DRGs and relative weights determined on October 1, 2004.

grouper Version: 22